



Finance Caucus Definitions Subcommittee Meeting

November 10, 2011

MEETING SUMMARY

CALIFORNIA WATER PLAN: UPDATE 2013 FINANCE CAUCUS DEFINITIONS SUBCOMMITTEE MEETING NOVEMBER 10, 2011 1:00 P.M. – 4:00 P.M. CENTER FOR COLLABORATIVE POLICY, LARGE CONFERENCE ROOM 815 S STREET, 1ST FLOOR, SACRAMENTO, CA

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Welcome and Introductions

Paul Massera, of DWR, co-chair of the Finance Caucus and the Project Manager for Update 2013, welcomed members to the meeting, thanked them for coming and appreciated diverse representation to discuss this important topic. Mr. Massera introduced Danny Merkley to address the group.

Mr. Merkley explained that his interest in this work, the Definitions Subcommittee of the Finance Caucus, stems from the passionate responses that Mr. Massera received when he introduced some draft work to begin this process. Mr. Merkley said there is a diverse group who works, reads and depends on this work and definitions are important—they may seem innocuous to some, but are a lightning rod for others. The work of this team is not to come up with definitions out of thin air, but to put into perspective and qualify the statements each of us makes. Mr. Merkley expressed his hope that this team can come work out definitions that everyone can agree on. My experience working on this so far tells me that the natural starting place for most people is Component 7 – Funding, Who and How, but starting with Component 1 – Scope and Outcomes, will help us start from a better place.

Comment: It isn't about which end of the process we look at, we can't start from one place or another we need a both/and approach and the definitions will really help clear things up: what we are talking about and what we aren't talking about. Some order of magnitude of what we can fund and what we can't fund and what is going on for other funders and actors.

Comment: It is circular; start with anything and proceed iteratively.



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Comment: We need to be careful how we define who the beneficiaries are because of funding constraints. Tacking fees onto places like agriculture are tough because a lot of fees have already been added in that area.

Mr. Massera thanked Mr. Merkley for his opening remarks, and briefed the group about a November 9th Legislative Briefing. Mr. Massera explained that a request from Dennis O'Connor had come into the Water Plan to share the storyboard approach with some of the Legislature. Pursuant to the request a briefing was scheduled for November 9th where Mr. Massera introduced the storyboard, explained where the work started and how the storyboard approach was arrived at. Mr. Massera explained that the Finance Plan based on the storyboard process probably would not be complete for this Legislative Session, but perhaps for next session. Mr. Massera said he feels good feedback from the Legislature was shared at the briefing, and when the Water Plan asked if the information developed in the Finance Plan would be useful to the Legislature there seemed to be agreement that it would be useful. Discussion during the November 9th meeting acknowledged the value of a conversation that occurs before addressing the "Whos and Hows" of financing. There was loose agreement that future briefings are a possibility.

Comment: The briefing seemed helpful. Attendees from the Legislature seemed impressed with the complexity of the problems and approach.

Question: Will the Legislature have questions after having some time to think?

Response from the audience: At the LAO we work better in a responsive approach, responding to final products instead of in the middle of a process.

Comment: The little discussion we had late in the meeting about the philosophical choice to determine the limitation and proceed from there. We need to put all options out so we don't limit our range of solutions prematurely and miss something important.

Comment: The usefulness of this is one of the big reasons I'm involved for the Farm Bureau; nearly every piece of legislation comes out of these updates, which are critical.

Response: What really matters is getting consensus about what we need to do and by when and we were told if we can get to that stage then the money generally figures itself out.

Context and Proposed Approach to Definition Building

Ms. Beutler thanked participants for coming to the first meeting of the definitions subcommittee, and explained the task for today. The work of this group is to define the terms that will be used in the 2013 Update of the California Water Plan. In some cases, there is an existing policy definition term that the Water Plan might normally default to, we may qualify it or clarify the definitions that already exist. For example, the 3-page BMS Benefits Matrix, which is being provided as a handout today is a working draft, subject to change, but the matrix lays out the requirements for reporting purposes, which will be one of many source documents we can use to help get us started. This group will help define words, terms and ideas that are being used in multiple different processes and forums. One of the things that was noticed immediately when this work began was the fact that many people are arguing about the wrong things because of definitions. The water community needs to be talking about the same things so we can argue productively.



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Comment: One of the bond funding activities is to identify measures and outcomes, what is a measure of success and what is not.

Mr. Massera directed the group to the template document, starting with benefits categories, what matters to stakeholders in the second column, which may get to the crux of what we really need. That is the context behind this discussion.

Question: This cropped up in 2009, and maybe it's just me, but I still do not have a clear idea of what natural heritage is?

Response: The text in the template is an example...you could cross it all out, which is why it is muted (grey). If we were to use the word natural heritage this group would have to define it.

Question: I don't mind going through these benefit types, but I find that they can be combined and recombined in many ways; could you spend some time streamlining the benefit types?

Response: Yes. I'll elaborate when we go through the instructions. I'll ask Megan Fidell to refresh our memories on the benefits in Component 1. Ms. Fidell explained that there need to be some limits on what we pay for under the water finance plan...if it yields one of these benefits it is a water finance plan appropriate topic, but if not then it may not belong in the finance plan. The list is not precious; it is our own brainstorming. If there are things that are duplicative or incomplete we should change the benefits. For example, fire risk reduction might be narrowed down to avoid having a water finance plan that pays for other peoples stuff.

Comment: In addition to fire prevention type issues, by thinking or properly managing vegetation, we reduce the number of straws that suck water out of the watershed so more water can find its way to the valley or aquifers below. Water quantity can be a result of more thoughtful vegetation management.

Response: Even if these are they right benefit types they still may need more clarification or narrowing.

Mr. Massera suggested regrouping and went through the rest of the template with the group.

Question: Are we trying to tell them that in order for something to receive IWM funding it needs to have one or more of these benefits; if it does not have these benefits then we don't count it?

Response: No, we are not defining which projects will be funded in this forum. The work done by the Definitions Subcommittee will provide definitions to be used in the Finance Plan of the California Water Plan. The Water Plan makes recommendations about many things including all sorts of things we would like to recommend other people do, for example, a big investment is the homeland security money, and we may not have control over that, but we might have a lot of things we would like to recommend they do.

Question: There are a lot of different sources: federal, state, local, regional, etc. What I understand is the state wants to look specifically about what the state should be financing. The only thing we could probably do, the minimum thing we should do is figure out what the state should be funding.



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Response: looping back to tools, in the toolkit that we are proposing, then potential regulatory activities the state might be involved in and the things the state might help to do. Ms. Beutler noted that the group was beginning to argue about the same thing instead of different things. Mr. Massera reviewed the template again, explaining that whatever is recorded does not need to be exactly correct right now because if something inappropriate is recorded it is almost sure to be screened out later in the process. He suggested the group not get bogged down in the example text. The purpose of today's discussion is to build the definitions from the ground up with the understanding that we need to true those up with other, existing, definitions. Mr. Massera explained that the second column will help drill down to the desired objectives level, and we need that understanding. The third column, Mr. Massera explained, is: how would we quantify benefits, what metrics would we use if we were trying to quantify the benefit. Within the definition it would be helpful to have that up front. Going from left to right we will build definitions from the preceding two columns, presumably in a way that is useful. There is a 6th column, there is a lot of overlap in all of these benefits, so we can link them and identify the overlap.

Comment: nexus means connection; cross-cutting means there are multiple connections... is there a way to make the 6th column more explicit about that... because we can get more bang for our buck in cross-cutting stuff.

Response: we are not that far yet, but we can do that in the future.

Comment: I would repeat my interest in column two all the way down from a DFG perspective.

Comment: What I feel are environmental benefits may not be the same as someone else.

Response: Correct, and when vetted people who disagree could at least argue about the same thing.

Ms. Beutler asked the group if they have a feel for the logic of the tool and feel like it makes sense? The group thought it was a big concept that is being absorbed. Mr. Massera explained that step 3 is how we patch together the definitions and step 4 is where we can add benefits if we identify things in column 2 that fit into column 1. Ms. Beutler asked again if the logic works. The room responded with nodding heads and affirmative remarks. Ms. Beutler said that the definitions subcommittee needs to have some common ground on what the benefits mean.

Question: Are you talking about the benefit type?

Response: there are many words that we will have to define. The glossary is often one of the most important things in a document. We are going to start with benefits today and we can make a list of those today, but this is the logic for benefits.



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Comment: I heard one suggestion to work on the second column and done to work through the columns. From a process point we can have staff work through other columns once we have the first two columns populated.

Response: The next item is there is a list of things under component 1 of the storyboard, they seem to hang together, and have hung together through a number of meetings. If we start with this list let's go ahead and take a little time to discuss whether we need to add, subtract, or change anything on the list before we start, and we can also change later as we see column 2 vetted out. Ms. Beutler directed the group's attention to the list under Component 1 of the finance plan storyboard, most of which was reaffirmed by the group:

- Drought preparedness
- Energy benefits
- Water quality
- Water supply and supply reliability
- Flood impact reduction
- Recreation
- Environmental
- ~~Fire risk reduction~~ was replaced with "Fuel load management"
- Climate change risk reduction
- Affordability
- Groundwater overdraft reduction
- Food security
- Operational flexibility

There was discussion about whether groundwater quality is included in water quality or not. It was noted that distinctions can be drawn between raw groundwater, raw surface water, and water in the pipe, and water in the pipe has human effects. Alternatively, you can think of surface, groundwater and water at the tap. Ms. Beutler asked the group whether macro-categories or subsets makes more sense and at least one person felt there may be some benefit in breaking them out to get to definitions.

Comment: Maybe we should put those into the resource dependent values column, it might be more efficient to work through the template to use it as a tool to decide whether we need to make changes or not.

Question: Where would water use efficiency fall, it falls into a lot of categories?

Response: It would fall into multiple columns.

Comment: It sounds like there is a more philosophical discussion going on about whether people are lumpers or splitters, and I assume we are all different.

Comment: With regard to water supply and supply reliability I would ask: what good is a water supply if it is not reliable...maybe they should be lumped.

Comment: I'm ok with supply/reliability being lumped together. In general, we can start with the list as it has been presented. We may lump or split later.



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Ms. Beutler noted that the group seemed comfortable moving forward, noting a few items to be circled back on. She reminded participants that one of the things definitions will be used for: the Water Plan intends to go to stakeholders and ask what the current state of affairs is relative to a variety of topics. If the Water Plan cannot clearly define the questions being asked then the responses that are received will not be useful; the responses will be apples and oranges instead of being uniform. The group decided to begin the activity of actually using the “Template For Building and Applying IWM Benefit Definitions in Update 2013 Finance Plan.”

In order to move into the activity the group had to decide where to start. Two proposals were put forth, one to start with the most IWM related topics (those things that can be wholly considered IWM activities and are most central) versus those things that are peripheral to IWM, the benefits of which are IWM and something else. The sense in the room was that topics such as: Water Quality, Water Supply and Reliability were most central. Meanwhile, topics such as Energy Benefits, Fuel Load Management, Affordability, Climate Change Risk Reduction, Food Security, and other topics are more peripheral; part of the topic lives in the IWM world, and part of the topics lives in a different world. The group began with Water Supply and Reliability. Ms. Beutler posed the question: If we were going to go out and ask what you are doing for Water Supply and Reliability, what would you say? Mr. Massera asked participants to think about their mission statements, principles, etc, and restated the question: If you as an organization are doing these things then what does that mean? Notes from the group activity were taken directly into the template below.

During the activity some general comments were made:

Comment: We are not dealing with stagnant conditions...we have new needs all the time as we come to understand stuff more complexly or as conditions change.

Response: An assumption would be an adaptive management approach to deal with the reality of a dynamic environment. That is extremely useful for intended use to surface out. It may be less of a problem for things that are not wholly contained, could we tease out some things?

Comment: The reason this makes sense is we don't often talk in specifics – we want to know what we want done in which conditions. Stable canal, in the face of a 10.0 earthquake? Stable is not a complete answer. Stable in the face of what...gets at the heart of the issue.

Comment: Maybe we should add a column of things that are not IWM, which might help draw the distinctions more clearly.



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Template For Building and Applying IWM Benefit Definitions in

| Proposed IWM Benefit Type (From Storyboard Component 1) | This is what I want to sustain or enhance... (Interest) (TBD by Stakeholders) | Examples of Specific IWM Benefits (TBD by Stakeholders) | Definition (To be developed, strong reference to preceding) |
|--|--|---|--|
| Water Quality | <ul style="list-style-type: none"> • Example language: Systems NEEDS? And Functions for urban, ag, industrial and environmental water supply (clarification needed) • Achieve environmental water quality objectives • Efficiency of Use • Adequate matching of water quality with water uses • Diversified supply options (regional, resiliency, statewide) • Understand and honor different Agricultural, Commercial, Industrial water quality requirements • Maintain societal sustainability • Improve or maintain ambient water quality – do no harm • Sustainability | <ul style="list-style-type: none"> • | |
| Fuel Load Management | <ul style="list-style-type: none"> • Previously titled: Fire risk reduction • Ag productivity and land preservation • Vegetation management • Food security • Meadowability? • Economic stability | <ul style="list-style-type: none"> • Groundwater recharge | |
| Water Supply and Supply Reliability | <ul style="list-style-type: none"> • Functional use of water sources and treatment facilities • Making due with what you have? • Beneficial use of inherent water energy • Meeting human needs? • Reduction of energy used to move water • Want to say in business • Energy efficient water treatment and usage • Ability to plan for sustained economic activities • Reduce embedded energy in used water (personally, business level, & infrastructure investments) • Decrease GHG emissions in using water • Ecosystem health • Water used for processes avoid overtreatment of water – matching quality of water with the use...using high quality water to high quality uses and use lower quality water as needed • Aquatic habitat? • Who expends energy on water • Aquatic species? • Who benefits from Legacy water agreements, would All Water Year types? • investment | <ul style="list-style-type: none"> • Water treatment upgrades • Inner-ties • Leak repair of pipes • On-stream reservoir for hydro-electric power generation? • Demand responsive electric power generation | What isn't: energy content, GHGs and o |

Update 2013 Finance Plan

Template For Building and Applying IWM Benefit Definitions in Update 2013 Finance Plan

Public Comment

Mr. Wilson, a member of the public, was given the floor for public comment. Mr. Wilson praised the collaboration of the group and the facilitation. Mr. Wilson explained his concerns for the energy



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costs of moving water, saying that a peripheral canal tunnel will cost one billion dollars per year to operate in addition to the building costs, and expressed his concern that the dialogues occurring among the water community are not responsive to Delta constraints. He voiced his concern that development in Southern California deserts will further tax water systems, as evidenced by the depletion of Salton Sea. He asked the group to keep these concerns in mind as they write definitions for the California Water Plan.

Next Steps

Mr. Massera asked the group about ways to proceed. He suggested staff do interim work to refine headings and content in response to today's discussion.

Action Item: Please take a look at the buckets and let us know what you've already been working on or a way you've already been defining it. We really want to see what is already in existence.

Comment: There is a list of projects that are fundable under IRWM Program and it may not help this purpose, but it may be informative. Response: we think that would be very useful.

Mr. Massera asked if the group would be comfortable if staff do some interim work on a next draft to bring back for discussion. The group approved such action.

Adjourn

Co-chairs closed the meeting.



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Attendance (26):

In-person (17):

David Boland, Association of California Water Agencies
Evon Chambers, Planning and Conservation League
Allan Highstreet, CH2M Hill
Danny Merkley, California Farm Bureau Federation
James Nachbaur, Legislative Analyst's Office
Saquib Najmus, RMC-WRIME
Valerie Nera, California Chamber of Commerce
Tim Parker, GRA
Tito Sasaki, California Farm Bureau Federation
Al Schiff, California Public Utilities Commission
Bruce Gwynne, California Department of Conservation
Glenda Marsh, California Department of Fish and Game
Burt Wilson, Writer and BDCP Conveyance Sub-committee Member
Tracy Billington, DWR
Megan Fidell, DWR
Paul Massera, DWR
Elizabeth Patterson, DWR
Terri Wegener, DWR

Online (9):

Chris Keithley, CalFire
Kim Wilhelm, California Department of Public Health
Kathy Mannion, Regional Council of Rural Counties
Ray Hoagland, DWR
Scott Jercich, DWR
Marji Feliz, Sierra Nevada Conservancy
Susan Tatayon, The Nature Conservancy
Liz Haven, State Water Board
Wendy Phillips, League of Women Voters

Facilitation Team: Lisa Beutler, MWH; Crystal Fair Welty, Center for Collaborative Policy